

Press Release

Embassy of the United States of America
Addis Ababa, Ethiopia
2011/63



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U.S. GOVERNMENT PARTNERS WITH PRIVATE ETHIOPIAN BANKS TO INCREASE ACCESS TO CREDIT IN AGRICULTURE AND HEALTH SECTORS

November 22, 2011, Addis Ababa – The U.S. Government expanded its loan financing program in Ethiopia through the United States Agency for International Development (USAID) Development Credit Authority (DCA). USAID and the Bank of Abyssinia, NIB Bank, and Zemen Bank signed two new agreements today which will offer greater access to credit for projects in the agriculture and health sectors. The agreements allow for up to \$20.7 million in loans to private health sector enterprises outside of Addis Ababa and small holder farmers and farming cooperatives.

By sharing the risk and offering incentives, the DCA encourages commercial banks to lend to non-traditional clients in sectors that may not have access to capital. By providing access to loans for the first time, it gives the non-traditional clients the opportunity to demonstrate their reliability as borrowers possibly leading to future loans and ventures.

The first USAID DCA agreement in Ethiopia started in 1999 with Abyssinia Bank, supporting small and medium agricultural enterprises. To date, USAID's DCA program has helped leverage more than \$47.8 million dollars for over 200 businesses in Ethiopia, improving agricultural exports, agro-processing industries, and supporting diaspora and female-owned businesses.

Funded by the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), the new health sector loan agreement with the Bank of Abyssinia and NIB Bank will provide up to \$13.4 million dollars in loans to private health sector enterprises outside of Addis Ababa, particularly those offering HIV/AIDS and tuberculosis (TB) services. These loans will enable clinics, pharmacies, and hospitals to make quality improvements and expand services that support public health goals.

The agriculture sector loan agreement with the Bank of Abyssinia and Zemen Bank makes it possible for small holder farmers and farming cooperatives to purchase agricultural equipment and machinery— such as tractors, harvesters or irrigation systems—through lease financing arranged with the banks. The agreement, worth approximately \$7.3 million dollars in potential loans, reduces collateral requirements by 50 percent and encourages partnerships between agricultural equipment suppliers and private commercial banks. The program will benefit farmers and cooperatives operating in the 83 woredas targeted for value chain expansion under Ethiopia's Agricultural Growth Program and the U.S. Feed the Future Initiative.

USAID Ethiopia Director Thomas Staal stated, "The partnerships we celebrate today will not only boost productivity and growth in the agriculture and health sectors, they will increase employment possibilities and generate income. They will build the capacity of banks to lend to non-traditional clients. I have no doubt that the loans will boost an already growing national economy."

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